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**WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION
YEAR ENDED OCTOBER 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-25-07

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Waterworks District No. 2 of Iberville Parish
St. Gabriel, Louisiana

We have audited the accompanying basic financial statements of the Waterworks District No. 2 of Iberville Parish (the District), a component unit of the Iberville Parish Council, as of and for the year ended October 31, 2006 as listed in the Table of Contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accompanying financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 2 of Iberville Parish as of October 31, 2006 and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 15, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2007 on our consideration of Waterworks District No. 2 of Iberville Parish's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.



Apple Guerin Company

CERTIFIED PUBLIC ACCOUNTANTS L L C

To the Board of Commissioners
Waterworks District No. 2 of Iberville Parish
St. Gabriel, Louisiana
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Waterworks District No. 2 of Iberville Parish. Such information except for Schedule 3 marked "unaudited", of which we express no opinion, has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.


February 10, 2007

**Waterworks District No. 2 of Iberville Parish
Management's Discussion and Analysis**

October 31, 2006

As financial management of the Waterworks District No. 2 of Iberville Parish (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial statements of the District for the fiscal year ended October 31, 2006. We encourage readers to consider the information presented here and in our basic financial statements, which begin on page 6.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are for a single proprietary fund and include the financial statements, notes to those financial statements and other supplementary information.

Proprietary Fund Financial Statements

The District's operations are accounted for as a single proprietary fund using the full accrual basis of accounting. In this regard, the District's operations are accounted for in a manner similar to a private business enterprise. Within this one proprietary fund, the District segregates revenues and expenses for various purposes such as operations, debt service and capital improvements, but that segregation does not create separate proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 9 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and statistical information. Supplementary and statistical information can be found beginning on page 15 of this report.

Financial Highlights

- Total assets of the District exceeded total liabilities at the close of the fiscal year by \$2,870,341 (net assets).
- Net assets of the District increased by \$126,688 during the current fiscal year.
- Operating revenues increased by \$118,836 (12.40%).
- Capital assets net of accumulated depreciation increased by \$49,956.
- Operating expenses increased by \$90,191.
- The District paid \$561,133 to Baton Rouge Water Company to secure the District's water supply.

Financial Condition

The District's net assets increased by \$126,688 during the fiscal year (see Table 1 below).

The District's investment in capital assets net of related debt represents the largest portion of net assets. The amount invested in capital assets, net of debt, increased by \$49,956. The increase was mainly the result of the purchase of tanks and water lines.

The remaining net assets represent unrestricted assets which may be used to meet the ongoing obligations of the customers and creditors.

Table 1
NET ASSETS

	October 31, <u>2006</u>	October 31, <u>2005</u>	Increase (Decrease)	% Change
Current and other assets	\$ 1,491,141	\$ 1,408,296	\$ 82,845	5.89%
Capital assets	<u>1,466,037</u>	<u>1,416,081</u>	<u>49,956</u>	<u>3.53%</u>
Total assets	<u>2,957,178</u>	<u>2,824,377</u>	<u>132,801</u>	<u>4.71%</u>
Current and other liabilities	<u>86,837</u>	<u>80,724</u>	<u>6,113</u>	<u>7.58%</u>
Net assets:				
Invested in capital assets, net of related debt	1,466,037	1,416,081	49,956	3.53%
Unrestricted	<u>1,404,304</u>	<u>1,327,572</u>	<u>76,732</u>	<u>5.78%</u>
Total net assets	<u>\$ 2,870,341</u>	<u>\$ 2,743,653</u>	<u>\$ 126,688</u>	<u>4.62%</u>

Table 2
CHANGES IN NET ASSETS

	October 31, <u>2006</u>	October 31, <u>2005</u>	Increase (Decrease)	% Change
Revenues:				
Operating revenues				
Water sales	\$ 1,012,040	\$ 886,099	\$ 125,941	14.22%
Penalty charges	18,349	18,178	171	.94%
Service charges	9,648	7,024	2,624	37.36%
Water line lease	37,500	37,500	-0-	-0-
Miscellaneous	192	10,092	(9,900)	(98.10%)
Nonoperating Revenues				
Interest income	<u>43,871</u>	<u>24,466</u>	<u>19,405</u>	<u>79.32%</u>
Total Revenues	<u>1,121,600</u>	<u>983,359</u>	<u>138,241</u>	<u>14.06%</u>
Operating Expenses	<u>994,912</u>	<u>904,721</u>	<u>90,191</u>	<u>9.97%</u>
Increase in Net Assets	126,688	78,638	48,050	
Net Assets at Beginning of Year	<u>2,743,653</u>	<u>2,665,015</u>	<u>78,638</u>	
Net Assets at End of Year	<u>\$ 2,870,341</u>	<u>\$ 2,743,653</u>	<u>\$ 126,688</u>	

The Waterworks' net assets increased by \$126,688 during the current year. This increase is a result of the District's operating revenues and interest income exceeding operating expenses.

Table 3

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

Waterworks District No. 2 of Iberville Parish's investment in capital assets as of October 31, 2006 amounts to \$1,466,037 (net of accumulated depreciation). This investment in capital assets includes buildings, water systems, wells and storage tanks, water meters, and furniture and fixtures.

	October 31, 2005	Additions	October 31, 2006
Land	\$ 8,867	\$ -0-	\$ 8,867
Buildings	133,685	-0-	133,685
Water meters	32,839	-0-	32,839
Furniture and fixtures	14,414	2,650	17,064
Water distribution system	1,194,314	-0-	1,194,314
Water treatment plant	1,296,375	-0-	1,296,375
Water wells	232,568	-0-	232,568
Elevated tanks	73,018	75,598	148,616
Ground level storage tanks	166,405	-0-	166,405
Water lines	<u>959,592</u>	<u>77,500</u>	<u>1,037,092</u>
Total	4,112,077	155,748	4,267,825
Less: Accumulated depreciation	<u>(2,695,996)</u>	<u>(105,792)</u>	<u>(2,801,788)</u>
Property, Plant and Equipment, Net	<u>\$ 1,416,081</u>	<u>\$ 49,956</u>	<u>\$ 1,466,037</u>

Looking Forward

As of October 31, 2006, the District had a total of 1,698 customers which represents a 12.53% increase over October 31, 2005. Total operating revenues increased 12.40% as of October 31, 2006 over October 31, 2005. The District is expecting operating revenues to increase approximately \$20,000 or 1.91% as of October 31, 2007 over October 31, 2006.

Request for Information

This financial report is to provide interested parties with a general overview of the District's finances. If you have any questions about this report or need additional information, you may submit a request in writing to the Waterworks District No. 2 of Iberville Parish, P.O. Box 71, St. Gabriel, Louisiana 70778.

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
STATEMENT OF NET ASSETS
OCTOBER 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,113,529
Accounts receivable, less allowance of \$3,000	152,023
Prepaid expenses	11,482
Other receivables	<u>395</u>

Total Current Assets	<u>1,277,429</u>
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RESTRICTED ASSETS

Cash and cash equivalents	185,656
Customer meter deposits	<u>28,056</u>

Total Restricted Assets	<u>213,712</u>
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PROPERTY, PLANT, AND EQUIPMENT, net of accumulated depreciation of \$2,801,788

1,466,037

Total Assets	<u>\$ 2,957,178</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 48,954
Payroll taxes payable	2,518
Sales taxes payable	497
Accrued unpaid sick pay	<u>5,520</u>

Total Current Liabilities	57,489
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LIABILITIES TO BE PAID FROM RESTRICTED ASSETS

Customer meter deposits	<u>29,348</u>
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Total Liabilities	<u>\$ 86,837</u>
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NET ASSETS

Invested in capital assets, net of related debt	\$ 1,466,037
Restricted net assets	184,364
Unrestricted net assets	<u>1,219,940</u>

Total Net Assets	<u>\$ 2,870,341</u>
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The accompanying notes are an integral part of these financial statements.

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED OCTOBER 31, 2006

OPERATING REVENUES	\$ 1,077,729
OPERATING EXPENSES - Schedule 2	<u>994,912</u>
OPERATING INCOME	82,817
NONOPERATING REVENUES	
Interest income	<u>43,871</u>
CHANGE IN NET ASSETS	126,688
NET ASSETS AT BEGINNING OF YEAR	<u>2,743,653</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,870,341</u>

The accompanying notes are an integral part of these financial statements.

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
STATEMENT OF CASH FLOWS
(INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS)
YEAR ENDED OCTOBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 1,060,137
Cash payments for goods and services	<u>(881,452)</u>
Net Cash Provided by Operating Activities	<u>178,685</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Customer meter deposits received	<u>2,401</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,401</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Payments for capital acquisitions	<u>(155,748)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(155,748)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>43,871</u>
Net Cash Provided by Investing Activities	<u>43,871</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 69,209

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 1,258,032

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,327,241

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ <u>82,817</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	105,792
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(17,975)
Decrease in prepaid expenses	3,956
Decrease in other receivables	383
Increase in accounts payable	3,477
Increase in payroll taxes payable	186
Increase in sales taxes payable	<u>49</u>
Total adjustments	<u>95,868</u>
Net Cash Provided by Operating Activities	<u>\$ 178,685</u>

The accompanying notes are an integral part of these financial statements.

**WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006**

1. Summary of Significant Accounting Policies

Waterworks District No. 2 of Iberville Parish (the District) is a component unit of the Iberville Parish Council. The District was incorporated under the provision of Act R.S. 33:3811seg. The District operates under a Board of Commissioner form of government.

a. Basis of Presentation

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to governments. Such accounting and reporting procedures also conform to the guide set forth in the industry audit guide, Audits of State and Local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

b. Reporting Entity

GASB codification section 2100 has defined the governmental reporting entity to be the Iberville Parish Council. The District is considered a component unit of the Iberville Parish Council. The accompanying statements present information programs controlled by and dependent on the Waterworks District No. 2 of Iberville Parish's Board of Commissioners. The accompanying financial statements only include the financial information of this component unit of the Iberville Parish Council and no other organization.

c. Fund Accounting

The Waterworks District No. 2 of Iberville Parish uses a proprietary fund (enterprise fund) to report on its financial position and results of operations. The enterprise fund accounts for the activities relating to the operations of the District. The fund is operated in a manner similar to a private business where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

d. Basis of Accounting

In 2001, the District adopted the provisions of Statement No. 34 (Statement 34) of the Governmental Accounting Standards Board "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It required the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

**WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006**

1. Summary of Significant Accounting Policies - continued

d. Basis of Accounting - continued

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted net assets - This component of net assets consists of net assets for which a constraint has been imposed either externally or by law. The District recognizes the use of restricted resources for expenditures that comply with specific restrictions.

Unrestricted net assets - This component of net assets consists of net assets that are not appropriable for expenditures or legally segregated for a specific future use.

e. Budget Practices

The District adopted a budget for the enterprise fund on a functional basis. The proposed budget is approved by the Board of Commissioners. The budget is published and the public is notified of availability for public inspection. A public hearing is held to finalize the budget. All budgetary appropriations lapse at the end of the year.

f. Cash and Cash Equivalents

Cash and cash equivalents includes amounts in cash, demand deposits and money market accounts with a maturity of three months or less. Under state law, the District may deposit funds in a bank organized under Louisiana or national law. For purposes of the statement of cash flows, the District considers all cash accounts (including restricted assets) to be cash and cash equivalents.

g. Fixed Assets

Fixed assets used in the operations of the District are included on the balance sheet net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by the District is charged as an expense against operations.

All fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated. Depreciation for financial reporting purposes is computed by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	25
Water meters	10
Furniture and fixtures	3 - 10
Water system	5 - 33
Wells and storage tanks	33

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006

1. **Summary of Significant Accounting Policies - continued**

h. **Accumulated Unpaid Sick Pay and Accrued Unpaid Vacation**

Employees of the District may accumulate a maximum of 45 days of accrued unpaid sick pay. Employees of the District may accrue vacation time; however it can not be carried over to the next year. Accrued unpaid sick pay at October 31, 2006 was \$5,520.

i. **Bad Debts**

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

j. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. **Cash and Cash Equivalents**

Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified as to custodial credit risk by the three categories described below:

- Category 1 - Investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name.
- Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent in the District's name.
- Category 3 - Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

At October 31, 2006, the District has the following cash and cash equivalents held in accounts:

Cash - Category 1	\$ 369,248
Government Investment Pool - uncategorized	<u>957,993</u>
Total	<u>\$ 1,327,241</u>
Cash and investments, unrestricted	\$ 1,113,529
Cash and investments, restricted	185,656
Cash and investments, deposits	<u>28,056</u>
	<u>\$ 1,327,241</u>

**WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006**

2. Cash and Cash Equivalents - continued

Under state law, the deposits (or the resulting bank balances) must be secured by the federal deposit insurance corporation (FDIC). FDIC insures the first \$100,000 on deposit at individual banks. At October 31, 2006, the District has \$269,248 in deposits (collected bank balances), which are not fully insured by federal deposit insurance. However, the financial institutions that hold these deposits are required by state statute to maintain pools against all public deposits they hold. The securities pledged and held by the bank in the name of the District amounted to \$500,000. The excess FDIC insurance and pledged securities over cash balances totaled \$230,752.

The District is a voluntary participant in the Louisiana Asset Management Pool, Inc., (LAMP). LAMP is regulated by the Louisiana State Treasurer. This investment is not categorized in the three risk categories provided above because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is not registered with the SEC as an investment company.

Total cash and cash equivalents	\$ 1,327,241
FDIC Insurance	(100,000)
Securities pledged and held by the bank in the District's name	(500,000)
Funds held in government investment pool	<u>(957,993)</u>
Excess FDIC insurance and pledged securities over cash balances	<u>\$ (230,752)</u>

3. Property, Plant and Equipment

A summary of property, plant, and equipment at October 31, 2006, is as follows:

Land	\$ 8,867
Buildings	133,685
Water meters	32,839
Furniture and fixtures	17,064
Water distribution system	1,194,314
Water treatment plant	1,296,375
Water wells	232,568
Elevated tanks	148,616
Ground level storage tanks	166,405
Water lines	<u>1,037,092</u>
Total	4,267,825
Less: Accumulated depreciation	<u>(2,801,788)</u>
Net Property, Plant and Equipment	<u>\$ 1,466,037</u>

4. Pension plan

Full time employees of the District are eligible to participate in the Louisiana Deferred compensation program under the provisions of Internal Revenue Code Section 457.

**WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006**

5. Restricted Assets

The District, is required to establish and maintain prescribed amounts of resources (consisting of cash and investments) that can be used only for their specified purposes. The restricted cash and cash equivalents for debt service was \$185,656 at October 31, 2006.

6. Customer Meter Deposits

Meter deposits are paid by customers upon application for water service and are returnable to them upon termination of service. The District maintains an interest-bearing account which is designated specifically for meter deposits. At October 31, 2006, customer meter deposits amounted to \$29,348 while the balance in the interest-bearing account amounted to \$28,056.

7. Water Supply Commitments

On May 8, 1990, the Board passed a motion accepting two proposals from Baton Rouge Water Company (BRWC). One proposal was for the purchase of water and the other proposal was for operations and maintenance of the Waterworks District No. 2 of Iberville Parish water plant and distribution lines.

The wholesale water supply contract with BRWC shall be in effect for a period of twenty-five years and BRWC agrees to supply the entire water supply requirements of the District, but not exceeding the lesser of 1,250 gallons per minute or 1,750,000 gallons per day. The District shall pay for water service delivered at a rate of \$0.744 per 1,000 gallons delivered to the District through the point of metering. Beginning with the second anniversary of this contract and annually thereafter, the price per 1,000 gallons delivered will be adjusted by 75% of any proportionate change in the Consumer Price Index as published by the U.S. Department of Labor. This rate has been indexed to \$0.980 and \$1.008 per 1,000 gallons delivered as of October 1, 2005 and 2006, respectively.

BRWC began supplying water to the District in September, 1991. The District signed a supplemental contract on May 14, 2003 to increase the flow rates available to provide an addition to the maximum supply rate provided in the original contract by the amount of 400 gallons per minute, and to provide an addition to the maximum daily quantity allowed in the original contract in the amount of 550,000 gallons per day. For the year ended October 31, 2006, the District purchased water from BRWC at a total cost to the District of \$561,133.

In addition, BRWC agrees to pay the District the sum of \$37,500 per year during the term of this agreement for a water line lease.

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2006

7. Water Supply Commitments - continued

The operations and maintenance agreement became effective beginning in September, 1991. The operations and maintenance agreement with BRWC was amended to be in effect for a period of one hundred twenty months in 1996. The BRWC agreed in 2001 to undertake the operation and routine maintenance covering the District's supply, treatment, transmissions, distribution, storage and customer metering facilities. Specifically excluded are costs of maintaining or staffing an office for customer service at the existing District office, all salaries and overhead costs associated with management and clerical personnel of the District, telephone service and other utilities for the operation of the District office, property and workmen's compensation insurance fees of the commissioners, paying agent fees, debt service costs, bad debt, advertising, legal and accounting fees or costs of the District, consulting or other professional fees furnished the District, and miscellaneous office, printing, and postage costs of the District not directly associated with billing. Likewise, excluded from the scope of service furnished the District will be the cost of extraordinary maintenance and capital items.

The District paid to BRWC \$6.28 per active customer per month for the services provided by BRWC in the operations and maintenance agreement effective September, 1991. Beginning with the first anniversary of this contract and annually thereafter, the cost per active customer is adjusted by 85% of any proportionate change in the Consumer Price Index as published by the U.S. Department of Labor. The rate has been indexed to \$6.85 and \$7.07 as of October 1, 2005 and 2006, respectively. The District has incurred total costs for the year ended October 31, 2006, of \$117,280, under this operating agreement.

8. Major Customer

The District had water sales representing approximately 27% of its water sales during the year ended October 31, 2006 to Hunt Correctional Institution. This customer's receivable balance as of October 31, 2006 was approximately \$25,723.

9. Litigation

The District is a defendant in a lawsuit seeking approximately \$41,665 in damages. The matter has been in negotiations since 2001. Outside legal counsel for the District has advised that a favorable outcome is anticipated. No provision has been made in the accompanying financial statements for this matter.

10. Land Lease Contingency

The District is renegotiating a land lease for the property where the District is located. The thirty (30) year lease expired on September 1, 1996 and has not been renewed since that date. No provision for this matter has been made in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED OCTOBER 31, 2006
(See Auditors' Report)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OPERATING REVENUES			
Water sales	\$ 930,000	\$ 1,012,040	\$ 82,040
Penalty charges	16,000	18,349	2,349
Water lease lines	37,500	37,500	-0-
Services charges	12,000	9,648	(2,352)
Miscellaneous income	-0-	192	192
Total Operating Revenues	<u>995,500</u>	<u>1,077,729</u>	<u>82,229</u>
OPERATING EXPENSES			
Water purchases	550,000	561,133	(11,133)
Operating agreement	110,500	117,280	(6,780)
Advertising	800	874	(74)
Bad debts	3,000	1,694	1,306
Bank charges	-0-	75	(75)
Depreciation	96,000	105,792	(9,792)
Dues and subscriptions	-0-	1,200	(1,200)
Insurance	25,000	26,116	(1,116)
Accounting	13,000	12,335	665
Miscellaneous	-0-	340	(340)
Office, printing and postage	3,000	3,467	(467)
Payroll tax expense	5,900	5,617	283
Retirement	5,000	-0-	5,000
Repairs and maintenance	6,000	50,675	(44,675)
Salaries – board	6,800	7,374	(574)
Salaries – office	61,000	59,854	1,146
Service charges/connections	12,000	24,626	(12,626)
Taxes – other	-0-	4,188	(4,188)
Telephone	5,400	3,890	1,510
Truck allowance	5,800	5,800	-0-
Utilities	-0-	2,582	(2,582)
Total Operating Expenses	<u>909,200</u>	<u>994,912</u>	<u>(85,712)</u>
OPERATING INCOME	<u>\$ 86,300</u>	<u>\$ 82,817</u>	<u>\$ (3,483)</u>

ACCOMPANYING INFORMATION

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED OCTOBER 31, 2006
(See Auditors' Report)

Water purchases	\$ 561,133
Operating agreement	117,280
Advertising	874
Bad debts	1,694
Bank charges	75
Depreciation	105,792
Dues and subscriptions	1,200
Insurance	26,116
Accounting	12,335
Miscellaneous	340
Office, printing and postage	3,467
Payroll tax expense	5,617
Repairs and maintenance	50,675
Salaries - board	7,374
Salaries - office	59,854
Service charges/connections	24,626
Taxes - other	4,188
Telephone	3,890
Truck allowance	5,800
Utilities	<u>2,582</u>
	<u>\$ 994,912</u>

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST.GABRIEL, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)
YEAR ENDED OCTOBER 31, 2006
(See Auditors' Report)

<u>Types of Coverage</u>	<u>Term</u>
General Liability \$1,000,000/\$2,000,000 Medical Expenses \$5,000 Fire Damage \$50,000 Auto: Hire Car & Non-Owned Auto \$1,000,000	8/2/06 to 8/2/07
Umbrella Liability \$1,000,000/\$2,000,000	8/2/06 to 8/2/07
Workers Compensation \$500,000	8/2/06 to 8/2/07
Crime \$25,000	8/2/06 to 8/2/07
Directors and officers \$1,000,000	8/2/06 to 8/2/07

Apple Guerin Company

CERTIFIED PUBLIC ACCOUNTANTS L L C

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Waterworks District No. 2 of Iberville Parish
St. Gabriel, Louisiana

We have audited the financial statements of the Waterworks District No. 2 of Iberville Parish, (the District) for the year ended October 31 2006, and have issued our report thereon dated February 10, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Waterworks District No. 2 of Iberville Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District No. 2 of Iberville Parish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of management, and the Louisiana Legislative Auditor, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board of Commissioners, is a matter of public record.


February 10, 2007

WATERWORKS DISTRICT NO. 2
OF IBERVILLE PARISH
ST. GABRIEL, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2006
(See Auditors' Report)

We have audited the financial statements of the Waterworks District No. 2 of Iberville Parish at October 31, 2006, and have issued our report thereon dated February 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of October 31, 2006 resulted in an unqualified opinion.

Report on compliance and internal control material to the financial statements:

Compliance - None

Internal Control:

Material Weakness - None

Reportable - None

Prior Year Findings:

Compliance -

1. Condition - Audited financial statements were completed past six months of entities fiscal year end.

Recommendation - Complete next year's audit in a timely manner.

Current status - Reports were filed timely.

2. Condition - Cash is not fully insured or collateralized.

Recommendation - Collateralized pledge should be increased.

Current status - Collateralized pledge is sufficient.

Internal Control:

Material Weakness - None

Reportable - None